

Message Text

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SUBJECT: RESHUFFLE OF RESPONSIBILITIES FOR CONSTRUCTION
OF ORENBURG NATURAL GAS PIPELINE

1. FOLLOWING IS TEXT OF INR REPORT DATED AUGUST 7, 1975.

2. A MAJOR RESHUFFLE OF RESPONSIBILITIES PREVIOUSLY
ASSUMED BY THE EAST EUROPEAN CEMA COUNTRIES FOR THE CON-
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STRUCTION OF THE ORENBURG NATURAL GAS PIPELINE SEEMS TO BE
TAKING PLACE. THE JUNE 15 ISSUE OF THE HUNGARIAN PARTY
DAILY NEPSZABADSAG REPORTED THE DETAILS OF SOME OF THE
CHANGES:

(A)--POLAND IS NOW THE ONLY EAST EUROPEAN COUNTRY WHICH REMAINS RESPONSIBLE FOR THE CONSTRUCTION OF AN ENTIRE SECTION, ALBEIT NOT THE ONE ORIGINALLY PLANNED.

(B)--THE GDR REMAINS RESPONSIBLE FOR PIPELINE CONSTRUCTION IN ONLY ONE-HALF OF ITS SECTION.

(C)--HUNGARY, AND APPARENTLY CZECHOSLOVAKIA, WILL NO LONGER BE RESPONSIBLE FOR PIPELINE CONSTRUCTION IN THEIR

ASSIGNED SECTIONS BUT WILL BE INVOLVED IN THE CONSTRUCTION OF COMPRESSOR STATIONS.

(D)--BULGARIA WILL HAVE NO CONSTRUCTION RESPONSIBILITIES AT ALL BUT, LIKE THE GDR, HUNGARY, AND CZECHOSLOVAKIA, WILL FINANCE THE CONSTRUCTION WORK UNDERTAKEN BY THE SOVIETS IN ITS ASSIGNED SECTION. THIS FINANCING COMMITMENT UNDOUBTEDLY WILL TAKE THE FORM OF INCREASED DELIVERIES OF GOODS TO THE SOVIET UNION, AS WELL AS THE PURCHASE OF EQUIPMENT IN THE WEST.

3. HUNGARIAN COMMITMENT ALTERED: ACCORDING TO NEPSZABADSAG, THE SOVIETS HAD AGREED TO A HUNGARIAN REQUEST THAT THE SOVIET UNION TAKE OVER RESPONSIBILITY FOR THE ACTUAL PIPELINE CONSTRUCTION IN THE SECTOR ASSIGNED TO HUNGARY. HUNGARY WOULD REMAIN RESPONSIBLE FOR CONSTRUCTION OF THE COMPRESSOR STATIONS AND HOUSING AND OTHER NECESSARY SOCIAL ESTABLISHMENTS, AS WELL AS FOR THE FINANCING OF THE ENTIRE SECTION.

4. AT THE BEGINNING OF MAY, HOWEVER, THE SOVIETS PROPOSED, AND HUNGARY ACCEPTED, A NEW ARRANGEMENT WHEREBY THE HUNGARIANS ARE NOW RESPONSIBLE FOR FINANCING THE SECTION FORMERLY ASSIGNED TO POLAND (ORENBURG-ALEXANDROV GAY). THE ENTIRE CONSTRUCTION ACTIVITY IN THIS SECTION IS NOW IN THE HANDS OF THE SOVIETS. FINANCING OF CON-LIMITED OFFICIAL USE
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STRUCTION ACTIVITY APPARENTLY WILL TAKE THE FORM OF INCREASED ("ABOVE QUOTA") DELIVERY OF HUNGARIAN GOODS.

5. IN ADDITION, THE HUNGARIANS ARE OBLIGATED TO BUILD FOUR COMPRESSOR STATIONS IN THE AREA OF THE SECTION ASSIGNED TO BULGARIA. ONLY ONE OF THESE, AT KHUST, IS ON THE LINE ITSELF; THE OTHER THREE ARE TO BE BUILT AT GUSTYATIN, BOGORODCHANI, AND IN THE VICINTY OF BOBRKA. ALL ARE A GOOD DISTANCE OFF THE MAIN LINE AND WOULD THEREFORE APPEAR TO FORM PART OF A DOMESTIC SOVIET DISTRIBUTION SYSTEM. THE HUNGARIAN ESTIMATE OF THE COST OF BUILDING THESE FOUR STATIONS AND RELATED INSTALLATIONS IS 2-2.5 BILLION FORINTS.

6. THE NEPSZABADSAG ARTICLE ALSO MAKES CLEAR THAT THE "MAXIMUM" NUMBER OF HUNGARIAN WORKERS WILL BE 3,000-3,500. THESE WORKERS WILL RECEIVE MORE THAN DOUBLE THE NORMAL DOMESTIC WAGE RATE, WITH AN ADDITIONAL NINE RUBLES PER DAY, OF WHICH THREE WILL BE PAID FOR FOOD AND LODGING.

7. CHANGES FOR OTHER EAST EUROPEANS AS WELL: ACCORDING TO NEPSZABADSAG, THE FOLLOWING ADDITIONAL CHANGES IN THE ORIGINAL ARRANGEMENT HAVE OCCURRED.

(A)--THE BULGARIANS ARE NOW RESPONSIBLE ONLY FOR THE FINANCING OF THEIR SECTION, WITH THE SOVIETS UNDERTAKING THE ACTUAL CONSTRUCTION WORK.

(B)--THE POLES WILL NOW BUILD THE SECTION ORIGINALLY ASSIGNED TO HUNGARY, FROM SAKHRANOVKA TO KREMENCHUG.

(C)--THE ARTICLE STATES (SOMEWHAT DISINGENUOUSLY) THAT CZECHOSLOVAKIA AND THE GDR ARE NOT AFFECTED BY THESE SWITCHES BUT THAT "AT THE REQUEST OF THEIR RESPECTIVE GOVERNMENTS--IN PROPOSALS SIMILAR TO THAT MADE BY THE HUNGARIAN GOVERNMENT--THE SOVIET UNION TOOK OVER PIPE-LINE CONSTRUCTION ON THE CZECHOSLOVAK SECTION AND HALF OF THE PIPELINE CONSTRUCTION ON THE GDR SECTION." THE NON-PIPELINE CONSTRUCTION WORK ON THESE SECTIONS IS PRESUMABLY TO REMAIN THE RESPONSIBILITY OF THE CZECHOSLOVAKS AND THE EAST GERMANS.

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8. THE NEPSZABADSAG ARTICLE HAS BEEN THE ONLY DIRECT ANNOUNCEMENT OF MAJOR CHANGES IN THE ORENBURG PROJECT. THERE HAVE BEEN RUMORS REPORTED IN CZECHOSLOVAKIA THAT THE CZECHOSLOVAKS WOULD NOT PARTICIPATE AFTER ALL IN THE ACTUAL CONSTRUCTION OF THE PIPELINE BUT WOULD BUILD THE FIVE COMPRESSOR STATIONS IN THEIR SECTION. RUMORED REASONS FOR THIS CHANGE INCLUDE A SOVIET RELUCTANCE TO HAVE A LARGE NUMBER OF HIGHLY PAID EAST EUROPEANS WORKING ON SOVIET SOIL (CZECHOSLOVAKIA REPORTEDLY HAS OFFERED 100,000-CROWN BONUSES TO ITS WORKERS AS AN INDUCEMENT TO WORK ON THE ORENBURG PROJECT) AND THE INABILITY OF THE CZECHOSLOVAK GOVERNMENT TO FIND A SUFFICIENT NUMBER OF SKILLED WORKERS DESPITE THE HIGH PAY.

9. AN ARTICLE IN RUDE PRAVO ON JULY 15, WHILE MAKING NO DIRECT ANNOUNCEMENT OF CHANGED RESPONSIBILITIES, DOES STATE THAT WORK ON THE CZECHOSLOVAK SECTION WILL REQUIRE FEWER WORKERS THAN ORIGINALLY ANTICIPATED, ABOUT 3,000. WHILE MENTIONING WORK ON COMPRESSOR STATIONS, THE ARTICLE SAYS NOTHING ABOUT PIPELINE CONSTRUCTION WORK. IT DOES STATE THAT CZECHOSLOVAKIA WILL HELP TO EXPAND THE

TRANSIT GAS PIPELINE SYSTEM RUNNING THROUGH CZECHOSLOVAKIA
TO AN ANNUAL CAPACITY OF 37 BILLION CUBIC METERS.

10. OUTCOME: IT IS STILL UNCLEAR WHO GAINED OR LOST IN
THE REDISTRIBUTION OF RESPONSIBILITIES FOR THE CONSTRUC-

TION OF THE ORENBURG PIPELINE. BUT IT SEEMS CERTAIN THAT
MUCH WRANGLING MUST HAVE OCCURRED.

(A)--THE HUNGARIANS, THE BULGARIANS, AND THE CZECHOSLOVAKS
HAVE CUT THEIR LABOR COMMITMENTS, BUT THE FINANCIAL
COMMITMENT MAY HAVE BEEN HIGH FOR THE FORMER TWO COUN-
TRIES.

(B)--THE CZECHOSLOVAKS MAY ALSO HAVE PAID A HIGH PRICE
WITH REGARD TO COMMITMENTS ON THE TRANSIT PIPELINE SYSTEM.

(C)--ONLY FOR ROMANIA, WHICH WAS TO PROVIDE DESULFURIZA-
TION EQUIPMENT, DOES THERE APPEAR TO HAVE BEEN NO CHANGE
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IN PREVIOUS PLANS.

11. IT SEEMS LIKELY THAT THE MAJOR CAUSE OF THE CHANGES
WAS EAST EUROPEAN LABOR PROBLEMS. THE NEW ARRANGEMENTS
UNDOUBTEDLY ARE LOOKED UPON BY THE EAST EUROPEAN GOVERN-
MENTS CONCERNED AS LESS DISRUPTIVE OF THEIR OWN ECONOMIES.
BUT THE RESHUFFLING CERTAINLY HAS CHANGED THE NATURE OF
THE PROJECT AND DIMINISHED THE MULTINATIONAL NATURE OF
THE CONSTRUCTION WORK. THE REDUCTION IN THE NUMBER OF
EAST EUROPEAN WORKERS DIRECTLY INVOLVED IN THE PROJECT,
FROM A PREVIOUSLY ESTIMATED 30,000 TO PERHAPS HALF THAT
NUMBER OR LESS, MIGHT PROVE AN EMBARRASSMENT TO THE
SOVIETS, WHO MADE SO MUCH OF THE EXTENT AND NATURE OF EAST
EUROPEAN INVOLVEMENT IN THE PROJECT. IN THE END, HOWEVER,
IT MAY SAVE THEM A LOT OF TROUBLE. SISCO

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